

Attachment 4

Status: DRAFT

ONE Joint Investment Board Statement of Policy			
Policy:	Policy for Reviewing the External Sub-Investment Manager	Date approved: Date of Next Review:	Person Most Responsible: Chief Investment Officer

Purpose statement

The purpose of this policy is:

- To provide a framework that helps guide the regular review of the performance of the Sub-Investment Manager to ensure that its performance meets the expectations of the ONE Joint Investment Board (ONE JIB).
- To provide mechanisms for identifying and resolving issues arising from reviews of the Sub-Investment Manager. The external Sub-Investment Manager should meet industry best practices with respect to how the mandates are managed, and they should be managed in a manner consistent with ONE JIB’s expectations and direction.

Scope and Responsibilities

The policy applies to the Prudent Investment Program Sub-Investment Manager engaged to manage investment funds on behalf of ONE JIB. The application of this policy could result in a range of recommendations including changes in investment approach. It could also result in termination in certain circumstances.

ONE Investment is responsible for reporting to ONE JIB in relation to this policy. The Chief Investment Officer and the Chief Compliance Officer will lead the review of the external Sub-Investment Manager and liaise with the Sub-Investment Manager to communicate and implement any direction approved by ONE JIB. ONE JIB is responsible for making decisions that may arise from the Sub-Investment Manager review process.

Definitions

- **Investment Management Agreement** refers to the Investment Management Agreement that ONE Investment has signed with the Sub-Investment Manager. The agreement contains guidelines on how each investment mandate is to be managed and places restrictions on the investment choices the fund manager may implement. The agreement also details the fee structure for each Prudent Investment Offering.
- **Money Not Required Immediately (MNRI)** means money that is not required immediately by a Participating Municipality, the control and management of which has been given to ONE JIB. There is no universal definition of MNRI and it is at the discretion of each Participating Municipality to determine its MNRI in a way that is appropriate for its circumstances. A Participating Municipality's council must determine its MNRI.
- **OCIO Offering** means the comprehensive investment program made available through ONE JIB/ONE Investment pursuant to which a duly qualified investment manager who is an External Portfolio Manager, referred to as a “Sub-Investment Manager” is engaged by ONE Investment to advise a Participating Municipality with regard to the investment of the Participating Municipality’s MNRI and to invest and manage such MNRI in accordance with the terms and conditions set out in the ONE JIB Agreement.
- **ONE Investment** is the entity that is responsible for the creation, administration and compliance associated with the investment products available for the participating municipalities. ONE JIB authorizes and empowers ONE Investment to direct the day-to-day operations of the Prudent Investment Program, subject to the supervision and overriding authority of ONE JIB.
- **ONE JIB Agreement** means the agreements with each Participating Municipality, entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of each Participating Municipality’s Money Not Required Immediately.
- **Participating Municipality** means from time to time each of the municipalities for whom ONE JIB acts as the Joint Investment Board under the terms of the



ONE JIB Agreement and includes the Participating Municipalities that established ONE JIB (sometimes referred to as the Founding Municipalities).

- **Prudent Investment Offering** refers to the suite of investment products and services used to invest MNRI of the Participating Municipalities. It is inclusive of the Pooled Funds that were originally formed for this purpose. The ONE Prudent Investment Offering means the ONE Pools Offering and the OCIO Offering and when the transition of all Participating Municipalities to the OCIO Offering is complete, the “ONE Prudent Investment Offering” will mean the OCIO Offering. The ONE Prudent Investment Offering is included in the ONE Prudent Investment Program.

Policy

Review criteria

ONE Investment and ONE JIB will continuously monitor the Sub-Investment Manager to ensure it is investing according to the investment guidelines and remains in compliance with the constraints identified in the Investment Management Agreement and any other applicable investment restrictions. Primary or secondary investment benchmarks for each mandate and associated return attribution analysis will aid in the review of each manager’s performance. The key criteria that are relevant for the evaluation of the external Sub-Investment Manager are detailed in Table 1. The evaluation may incorporate other considerations, as appropriate.

Table 1 – Criteria for External Sub-Investment Manager Review

Firm Changes:	Ownership, people, responsibilities, investment philosophy, fees, change in assets, reputational issues.
Strategy Changes:	Investment strategy/style, processes, size of strategy, cash flows in/out, trading frequency, proxy voting trends.
Compliance:	Adherence to the mandate’s stated policies. Compliance with Investment Management Agreement, changes to the list of approved funds in the Investment Management Agreement.
ESG Considerations:	Appropriateness of ESG policies and alignment with ONE JIB's views. Integration of ESG into investment decision making. Degree to which manager promotes ESG best practices within owned securities. Implementation of proxy voting process.
Client Service Related:	Quality and timeliness of information provided to the ONE JIB or ONE Investment staff.

Performance metrics:	<p>Frequency and value of educational opportunities offered.</p> <p>Absolute return, Risk level assumed, Risk-adjusted returns.</p> <p>Return against benchmarks (benchmark relative performance).</p> <p>Return against allocation expectations.</p>
Attribution of Returns:	<p>Explanation of the key drivers of investment performance.</p> <p>Explanation of how returns differ from benchmark returns.</p> <p>Demonstration of how investment constraints & manager style impact relative performance.</p>
Peer Group Comparison	<p>Comparison of Sub-Investment Manager to relevant peer group at the strategy level</p>

As part of any review, ONE JIB will assess its overall level of satisfaction with the Sub-Investment Manager. A low level of satisfaction or persistent weak performance should, at minimum, lead to discussions to determine the reasons for the problem.

It is possible that performance issues could be a result of constraints imposed by the Investment Management Agreement. Modifications of the investment guidelines in the Investment Management Agreement may remedy the issues. It is also possible that a change in the Investment Manager might be required in some situations.

Non-Compliance

If the external Sub-Investment Manager is not in compliance with the Investment Management Agreement or other direction from ONE JIB, the Sub-Investment Manager is required to advise ONE Investment’s Chief Investment Officer and Chief Compliance Officer immediately. The Sub-Investment Manager must describe the nature of the noncompliance and recommend an appropriate remedy.

The Chief Investment Officer and the Chief Compliance Officer will inform ONE JIB in writing of the non-compliance and the recommended remedy as soon as possible. The Chair of ONE JIB should advise ONE Investment in writing of actions to be taken with respect to the noncompliance, on a temporary basis, until ONE JIB can decide on a course of action. This may mean the Sub-Investment Manager remains out-of-compliance on a temporary basis until the issue can be discussed by ONE JIB.

Termination of External Sub-Investment Manager

ONE JIB may decide to terminate the external Sub-Investment Manager, under certain circumstances. Reasons to terminate the Sub-Investment Manager include, but are not limited to, the following:

- Performance of the mandate is consistently below its benchmark and ONE JIB's expectations over a reasonable time-period.
- Failure to adhere to the investment guidelines in the Investment Management Agreement or other direction provided by ONE JIB.
- Changes in personnel, firm structure, ownership, fees, investment philosophy, style or approach that could adversely affect the potential return and/or risk level.
- Any material reputational or solvency events affecting the external Sub-Investment Manager.
- Changes in the structure of the Prudent Investment Offering that mean the Sub-Investment Manager is no longer required or no longer fit the Offering.

Terminations of an external Sub-Investment Manager require planning and coordination. Typically, there is a required notice period before a manager is terminated, and it may take considerable time to select and hire a new investment manager. If ONE JIB is considering the termination of the Sub-Investment Manager, ONE JIB should work with ONE Investment to formulate a termination plan prior to terminating the manager. This may include creating a transition plan, hiring a transition manager, hiring a consultant to facilitate the search for a new manager, or other steps to ensure the smooth transition of money invested under ONE JIB.

Reporting

Quarterly External Investment Manager Reviews

A quarterly review undertaken by the Chief Investment Officer and the Chief Compliance Officer shall ensure that the external Sub-Investment Manager is managing the mandate in accordance with the Investment Management Agreement. The Sub-Investment Manager will provide a 'certificate of compliance' to ONE Investment that validates compliance with the Investment Management Agreement.

ONE Investment shall report to ONE JIB on a quarterly basis, identifying any issues arising from the quarterly review of the external Sub-Investment Manager. The report will include a summary of the positioning of the mandate, information on investment performance, an explanation of the drivers of performance, and commentary to explain the performance and market context. The report should also identify any related compliance issues or other relevant concerns that the ONE JIB should be aware of.



ONE Investment will follow-up with the external Sub-Investment Manager on any issues that arise from the discussion of these quarterly reports and report back to ONE JIB, as appropriate.

Quarterly Investment Manager Presentation to the ONE JIB

The External Sub-Investment Manager is expected to make a quarterly presentation to ONE JIB in which its representatives would be expected to discuss the basic features of the mandate, the current positioning of the mandate and investment performance, and answer questions posed by the ONE JIB.

Annual Review of External Sub-Investment Manager

At least once per year, ONE JIB will conduct a comprehensive review of the external sub-investment investment manager

ONE Investment will organize this review based on the scope of the review requested by ONE JIB. This review will be conducted by an external consultant capable of providing a 'deep dive' into the Sub-Investment Manager's performance. For example, the review could examine potential breaches in compliance, discrepancies in investment implementation versus investment guidelines, absolute and relative performance, fee structure, changes in investment personnel or any other pertinent matters. The consultant would provide a report to ONE Investment and ONE JIB.

Review of this policy

This policy shall be reviewed at least once every three years.